



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

November 21, 2007

In reply refer to: P-6

To customers, constituents, tribes and other stakeholders:

Bonneville Power Administration is currently engaged in a lawsuit over terms of an agreement with CPN Cascade Inc., an energy developer also known as Calpine. The lawsuit concerns a geothermal project at Telephone Flats in northern California, and parties in the suit are considering a settlement that is described in the enclosed document. BPA is seeking your comments on whether to recommend settlement of this lawsuit.

BPA believes this settlement is in the best interest of our ratepayers because it resolves potentially complex and time-consuming litigation at a reasonable cost. Under this proposed settlement agreement, BPA would pay CPN Cascade \$1.5 million in exchange for CPN Cascade's voluntary dismissal of its lawsuit. The settlement payment is approximately 17 percent of CPN Cascade's total damages claim of \$9 million, which could increase to about \$10.4 million with interest.

If BPA were to continue litigation, it would likely require extensive attorney and staff time, diverting resources from other uses, to a point where the overall financial impact on BPA could quickly outweigh the expense of the \$1.5 million settlement payment. Additionally, as with any litigation, there would be no guarantee of a favorable outcome.

The final decision of whether to accept or reject this settlement rests with the authorized representative of the Attorney General at the U.S. Department of Justice. However, BPA will make a recommendation to the authorized representative of the Attorney General. Therefore, we are seeking public comment on whether to recommend that the settlement proposal be accepted or rejected.

How to comment

BPA will accept comments through December 10, 2007. Comments can be submitted online at: <http://www.bpa.gov/comment>; via mail to: Bonneville Power Administration, Public Affairs Office - DKE-7, P.O. Box 14428, Portland, OR, 97293-4428; or faxed to (503) 230-3285. You also can call us toll free at (800) 622-4519. Please reference the CPN Cascade proposed settlement agreement with your comments.

If you have any questions, please contact your account executive or call us toll free at (800) 622-4519.

Sincerely,

/s/ Allen Burns, November 21, 2007

Allen Burns
Vice President, Bulk Marketing